Estimated US Models

US BKM12: Bils et al. (2012)

Bils et al. (2012) construct a two-sector model based on the model by Smets and Wouters (2007) and re-estimate it on bimonthly data from 1990-2009. This is for comparing the behavior of actual and reset price ination to that for series simulated from the models, as the authors construct an empirical measure of reset price inflation on a bimonthly basis using US CPI micro data. They find that the models generate too much persistence and stability both in reset price inflation and in the way reset price inflation converted into actual inflation.

- Aggregate Demand: The same as in US\_SW07, except that the consumption good demanded by the households is now a composite of the goods of the two sectors.

- Aggregate Supply: The same as in US\_SW07, except that in US\_BKM12 there are two sectors that produce goods. Firms in the one sector faces sticky prices and aggregate their goods according to a Kimball aggregator, firms in the other sector can set their prices flexibly and their goods are aggregated according to a CES aggregator.

- Shocks: The same as in US\_SW07, except that the price markup shock in US\_SW07 is now replaced by a sector specific productivity shock to the sector with flexible price setting.

- Calibration/Estimation: In the paper, the SW model is reestimated with Bayesian methods

using seven bimonthly US observables over the period 1990:1 to 2009:10. Also, different

from US\_SW07, the personal consumption deflator is used for price inflation instead of the

GDP deflator. To be consistent with the MMB system, some parameters are adjusted to

correspond to quarterly frequency.